

Alternative funding mechanisms for environmental programs

This is a rough draft report on alternative funding mechanisms for environmental programs (e.g. Watershed Protection). This Draft is broad and general in scope and meant for comment, narrowing of focus, and updated.

Environmental Program Financing Techniques

Implementation of environmental protection programs at the state and local levels often requires non-federal government funding. Traditionally, funding for environmental programs has come from general revenue funds. Now that federal, state, and local Governments are facing fiscal constraints, alternative sources of funding are becoming important options for implementing and other environmental protection measures. Traditional sources of funding, such as taxes and bonds, being supplemented by innovative funding sources like special license plates and income tax checkoffs.

Here are four basic ways to fund public programs and facilities: Current revenues (pay as you go), borrowing (bonding), transfers/assistance (fees or taxes collected by one level of government and passed on to another in the form of loans or grants), and public-private partnerships (private sector involvement in historically public sector activities). Since not every financing source or mechanism is appropriate for every state or local program, legal, administrative, and political aspects of financing must be taken into consideration when selecting funding alternatives.

The following outline introduces innovative alternatives to traditional funding. These examples of funding sources and mechanisms can be applied creatively to any environmental programs in general.

Comparing Your Options

Several funding alternatives may be available for a particular project. For example, the following funding strategies could easily be adapted to fund any number of environmental programs: property taxes, tax incentives/disincentives, user fees, or tax surcharges. Funding for watershed management or a shoreline erosion control project could be obtained in similar ways.

Capital and operating costs and cost-effectiveness must be carefully analyzed before choosing a funding alternative. Legal, administrative, and political aspects and impacts of each alternative need to be considered. One must consider the legal work-ability and political attractiveness of a financing mechanism; the effort needed for implementation, including start-up costs and costs for ongoing collection and management of funds; the fairness of distribution of the funding burden among individuals; and the public's willingness to pay or to make a particular sector pay.

Stratagics

EXAMPLE: Tax Incentive/Disincentive

Estherville, Iowa, uses the pay-by-the-bag approach to trash collection. This system gives households an incentive to recycle,

compost, and change their buying habits to reduce the volume of waste they generate.

EXAMPLE: Property Tax

Fairfax City, Virginia, uses property taxes to finance trash collection. Residents are charged a flat annual amount that is not related to the volume or type of trash they discard.

EXAMPLE: Partnership

The U.S. Army Corps of Engineers issued a permit to some Florida developers to restore a degraded 345-acre wetland on land owned by the city of Pembroke Pines. These entrepreneurs, who call themselves the Florida Wetlandsbank, sell credits to other developers who have impacted degraded wetlands elsewhere and have gained approval to satisfy the state's wetlands mitigation requirements through offsite mitigation. The Florida Wetlandsbank will transform the land into a public park.

EXAMPLE: Control Tax

A proposal has been developed to charge Puget Sound, Washington, landowners an annual nonpoint source pollution control tax based on property size and land use. Owners with onsite sewage systems, livestock, and parcels in areas required to develop comprehensive storm-water management plans would be assessed a surcharge if land uses are not managed to reduce nonpoint source pollution.

EXAMPLE: User Fee

Hollywood, Florida, charges residents a standard monthly "fee" for solid waste management services. This establishes a direct link between those who use the services and those who pay for them.

EXAMPLE: Georgia Leases Shellfish Beds to Commercial Fishermen

Georgia promotes oyster management through its innovative Shellfish Program. Georgia does not allow open shellfishing. Recreational harvesting by the general public takes place in designated public grounds, and commercial harvesters must obtain a lease for harvesting shellfish from the Georgia Department of Natural Resources, Coastal Resources Division. Leases are awarded on the basis of bids for a specific shellfish harvesting area. The bid is awarded to the most preferable combination of lease payments and the strongest management plan. The shellfish resource management plans are judged on the basis of certain criteria, such as shell deposition methods. Funds gained from the lease program are used to

manage the shellfish program

EXAMPLE: Tax Surcharge

Oregon funds solid waste management through proceeds from the Bottle Bill, a law that requires consumers to pay a deposit on each container purchased. The deposit is refunded when the container is returned for recycling.

EXAMPLE: California Uses State Revolving Fund to Control NPS Pollution

California uses part of its State Revolving Fund (SRF) for nonpoint source pollution control. The fund is administered by the State Water Board. The State Water Board has separated the administration of the fund from the wastewater treatment facilities program and has developed a flexible program that will evaluate and select for funding a wide variety of nonpoint source pollution control projects. Eligible projects include construction of demonstration projects, retention/detention basins, wetlands for stormwater treatment, and a variety of best management practices to reduce or remove nonpoint source pollutants. The nonpoint source program for the SRF also permits the establishment of substate revolving funds that can provide funding to private individuals to finance new onsite septic systems, mound systems, leach fields, etc.

References

BONDS

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USEPA. 1988. Financing Marine and Estuarine Programs: A Guide to Resources. Office of Marine and Estuarine Protection. EPA Document No. 503-8-88-001.

For more information about Broward County Bond Issue, contact: Broward County Administrator's Office, 115 South Andrews Avenue, Rm 409, Ft. Lauderdale, FL 33301, ph. (305) 357-7354.

BOTTLE BILLS

For more information on bottle bills, contact: The Public Interest Research Group (PIRG) in your area, or PIRG National Headquarters, 215 Pennsylvania Avenue, SE, Washington, DC 20003, ph. (202)

546-9707.

CONGESTION TOLLS

World Resources Institute. 1992. Green Fees: How a Tax Shift Can Work for the Environment and the Economy.

For more information on congestion tolls, contact: World Resources Institute, 1709 New York Avenue, NW, Washington, DC 20006, ph. (202) 638-6300.

DUCK STAMPS

For more information on duck stamps, contact: Duck Stamp Program Manager, Maryland Department of Natural Resources, Public Communications Office (D-4), Tawes State Office Building, Annapolis, MD 21402, ph. (410) 774-2035.

EFFLUENT DISCHARGE FEES

Bernstein, J. Undated. Alternative Approaches to Pollution Control and Waste Management. The World Bank, Urban Management Program.

USEPA. 1992. Alternative Financing Mechanisms for Environmental Programs. Final draft. Environmental Finance Program, Office of Administration and Resources Management.

Washington State Department of Ecology. 1993. A Summary of Other States' Wastewater Discharge Permit Fees. Document No. 93-63.

For more information about Wisconsin's effluent discharge fee program, contact: Fee Program Manager, Wisconsin Department of Natural Resources, P.O. Box 7921, 101 South Webster Street, Madison, WI 53707, ph. (608) 267-7638.

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USEPA. 1992. State and Local Funding of Nonpoint Source Control Programs. Office of Water. EPA Document No. EPA-841-R-92-003.

Zachmann, B. 1990. A Nonpoint Source Pollution Control Fee Proposal.

For more information on fees, contact: The Environmental Financial

Advisory Board, c/o USEPA, Office of Administration and Resources Management (3304), 401 M Street, SW, Washington, DC 20460, ph. (202) 260-1020, fax (202) 260-0710.

For more information about Maryland's impact fee, contact:
Director, Chesapeake Bay Local Government Advisory Committee, 777 North Capitol Street, NE, Suite 300, Washington, DC 20002, ph. (800) 446-5422.

For more information about Minnesota's onsite utility fee, contact:
District Officer, Route 2, Box 319, Battle Lake, MN 56515, ph. (212) 864-5533.

For more information about the State of Washington's nonpoint source pollution control fee, contact: Shellfish Protection Team, Washington Department of Ecology, P.O. Box 47600, Olympia, WA 98504-7600, ph. (206) 459-6836.

GRANTS

Government Printing Office. 1991. Catalog of Federal Domestic Assistance.

USEPA. 1993. Watershed Protection: Catalog of Federal Programs. Office of Water. EPA Document No. 841-B-93-002.

USEPA. 1992. Alternative Financing Mechanisms for Environmental Programs. Final draft. Environmental Finance Program, Office of Administration and Resources Management.

For more information about the Chesapeake Bay Studies Program grant, contact: Chesapeake Bay Division, National Marine Fisheries Office of Habitat Protection, NOAA Chesapeake Bay Office, 410 Severn Avenue, Suite 107A, Annapolis, MD 21403, ph. (410) 280-1871.

LEASING/SELLING

USEPA. 1992. Alternative Financing Mechanisms for Environmental Programs. Final draft. Environmental Finance Program, Office of Administration and Resources Management.

USEPA. 1988. Financing Marine and Estuarine Programs: A Guide to Resources. Office of Marine and Estuarine Protection. EPA Document No. 503-8-88-001.

For more information on leasing/selling, contact: The Environmental Financial Advisory Board, c/o USEPA, Office of Administration and Resources Management (3304), 401 M Street, SW, Washington, DC

20460, ph. (202) 260-1020, fax (202) 260-0710.

For more information about Georgia's Shellfish Program, contact:
The Shellfish Program, Georgia Department of Natural Resources, 1200
Glynn Avenue, Brunswick, GA 31523-9990, ph. (912) 264-7218.

LOTTERY REVENUES

Apogee Research, Inc. 1990. Financing State Wetlands Programs.
Office of Wetlands Protection, U.S. Environmental Protection Agency.

For more information on lottery revenues, contact: Wetlands
Strategies and State Programs Branch, Office of Wetlands, Oceans and
Watersheds, Wetlands Division (4502F), 401 M Street, SW, Washington,
DC 20460, ph. (202) 260-7791.

PAY-BY-THE-BAG HOUSEHOLD COLLECTION

World Resources Institute. 1992. Green Fees: How a Tax Shift Can
Work for the Environment and the Economy.

For more information about Iowa's system, contact: World Resources
Institute, 1709 New York Avenue, NW, Washington, DC 20006, ph.
(202) 638-6300.

POLLUTION TRADING

USEPA. 1992. Alternative Financing Mechanisms for Environmental
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Administration and Resources Management.

USEPA. 1992. Incentive Analysis for Clean Water Act
Reauthorization: Point Source/Nonpoint Source Trading for Nutrient
Discharge Reductions. Office of Water, Office of Policy, Planning
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PUBLIC-PRIVATE PARTNERSHIPS

USEPA. 1992. The Clean Air Act of 1990: A Guide to Public
Financing Options. Office of Air and Radiation.

USEPA. 1992. Alternative Financing Mechanisms for Environmental
Programs. Final draft. Environmental Finance Program, Office of
Administration and Resources Management.

For more information on the wetland mitigation bank program in
Broward County, contact: Broward County Department of Natural
Resources Protection, 218 SW 1st Avenue, Fort Lauderdale, FL 33301,

ph. (301) 519-1230.

SPECIAL LICENSE PLATES

Maryland Office of the Governor. 1992. 1992 Chesapeake Bay Progress Report.

For more information on special license plates, contact: Office of the Governor, Governor's Chesapeake Bay Communications Office, State House, Annapolis, MD 21401, ph. (410) 974-5300, or Chesapeake Bay Trust, 60 West Street, Suite 200A, Annapolis, MD 21401, ph. (410) 974-2941.

STATE REVOLVING FUNDS

USEPA. 1992. State and Local Funding of Nonpoint Source Control Programs. Office of Water. EPA Document No. 841-R-92-003.

USEPA. 1990. Funding of Expanded Uses Activities by State Revolving Fund Programs: Examples and Program Recommendations. Office of Water. EPA Document No. 430-09-90-006.

USEPA. 1988. SRF Initial Guidance. Office of Municipal Pollution Control.

For more information on state revolving funds, contact: Chief, Nonpoint Source Loan Unit, Division of Water Quality, State Water Resources Control Board, 901 P Street, P.O. Box 100, Sacramento, CA 95801, ph. (916) 657-1043.

STORMWATER UTILITIES

Maryland Department of the Environment. 1991. Potential Revenues From Stormwater Utilities in Maryland.

USEPA. 1992. Alternative Financing Mechanisms for Environmental Programs. Final draft. Environmental Finance Program, Office of Administration and Resources Management.

USEPA. 1992. State and Local Funding of Nonpoint Source Control Programs. Office of Water. EPA Document No. 841-R-92-003.

USEPA. 1992. Storm Water Utilities: Innovative Financing for Storm Water Management. Draft final report.

For more information on stormwater utilities, contact: Water Policy Branch, Office of Policy Analysis, Office of Policy, Planning and

Evaluation, USEPA (2121), 401 M Street, SW, Washington, DC 20460, ph. (202) 260-2756.

For more information on stormwater utilities, contact: The Environmental Financial Advisory Board, c/o USEPA, Office of Administration and Resources Management (3304), 401 M Street, SW, Washington, DC 20460, ph. (202) 260-1020, fax (202) 260-0710.

TAX CHECKOFFS

Maryland Office of the Governor. 1992. 1992 Chesapeake Bay Progress Report.

For more information on tax checkoffs, contact: Office of the Governor, Governor's Chesapeake Bay Communications Office, State House, Annapolis, MD 21401, ph. (410) 974-5300, or Chesapeake Bay Trust, 60 West Street, Suite 200A, Annapolis, MD 21401, ph. (410) 974-2941.

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Government Accounting Office. 1993. Implications of Using Pollution Taxes to Supplement Regulation. Document No. GAO/RCED-93-13.

USEPA. 1992. Alternative Financing Mechanisms for Environmental Programs. Final draft. Environmental Finance Program, Office of Administration and Resources Management.

USEPA. 1992. Protecting Coastal and Wetlands Resources: A Guide for Local Governments. Office of Water. EPA Document No. 842-R-92-002.

USEPA. 1988. Financing Marine and Estuarine Programs: A Guide to Resources. Office of Marine and Estuarine Protection. Document No. 503-8-88-001.

For more information about the State of Washington's tobacco tax, contact: House Office of the Budget, Second Floor, House Office Building, MS AS33, Olympia, WA 98504, ph. (206) 786-7107, or House Ways and Means Committee, MS AS33, Olympia, WA 98504, ph. (206) 786-7136.

Additional Information on Selected Reference Materials

*USEPA. 1992. Alternative Financing Mechanisms for Environmental Programs. Final draft. Office of Administration and Resources Management.

*This report provides information to resolve two types of funding shortfalls: state capacity (program personnel) and capital infrastructure needs. This comprehensive encyclopedia of alternative financing mechanisms can be used as an information resource for states and local governments. It is intended to provide information about principal features of alternative financing mechanisms, their relative advantages and disadvantages (with particular attention given to administrative considerations), and some of the key questions and issues associated with their use.

For more information contact: U.S. EPA, Office of Administration and Resources Management, Office of the Comptroller, Resource Management Division (3304), 401 M Street, SW, Washington, DC 20460, (202) 260-1020.

U.S. EPA's Environmental Financing Information Network (EFIN)

EPA's Environmental Finance Program manages the Environmental Financing Information Network (EFIN) to disseminate financial information to public entities. This electronic on-line database provides information on financing alternatives for state and local environmental programs and projects. You can use EFIN to search for environmental financing approaches, publications, and activities.

For more information contact: U.S. EPA, EFIN Center, Environmental Finance Program, Office of the Comptroller (3304), 401 M Street, SW, Washington, DC 20460, (202) 260-0420.

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